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FM AMEMBASSY LILONGWE
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INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHFR/AMEMBASSY PARIS 0120
RUEHLO/AMEMBASSY LONDON 0223
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C O N F I D E N T I A L SECTION 01 OF 02 LILONGWE 000643

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STATE FOR AF/S KAMANA MATHUR
STATE FOR INR/AA

E.O. 12958: DECL: 07/28/2011
TAGS: [PGOV](#) [KDEM](#) [KCOR](#) [MI](#)
SUBJECT: FORMER PREZ ARRESTED AND RELEASED, AS
ANTI-CORRUPTION CHIEF IS SUSPENDED

REF: A. LILONGWE 620
[1](#)B. LILONGWE 590

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Classified By: Political Officer Tyler Sparks for reasons 1.4 b and d.

[1](#)1. (C) Summary: Former President Bakili Muluzi was arrested, then quickly released in Blantyre on July 27, on forty-two counts of corruption. Only eight hours later it was announced on the government-run television station that Anti-Corruption Bureau (ACB) Director Gustave Kaliwo, who had placed the charges in front of Muluzi, had been indefinitely suspended for disciplinary reasons. Muluzi's arrest, which government leaders were initially not aware of and publicly denied, came as Parliament was locked in the middle of deliberations on the national budget. After his arrest Muluzi, who was not detained and has kept his passport, was immediately released and told to report to the High Court, where his case will be heard on August 1. Kaliwo was apparently suspended for disregarding a presidential directive to hold off on the arrest until after the national budget had been passed in Parliament. End Summary

THE MULUZI CASE

[1](#)2. (C) Muluzi is facing charges connected to money that he received in his personal account, while still in office, from the governments of Libya, Morocco, Rwanda and Taiwan. In addition he is facing graft charges connected with the alleged theft of \$50,000 of GOM funds meant for the Malawian Embassy in Tanzania. As previously reported, Kaliwo had previously show Poloff copies of canceled checks from various governments to Muluzi's personal account. The case is scheduled to move forward on August 1, until which time Muluzi remains on bail according to ACB officials, though no bail hearing or arraignment has taken place.

[1](#)3. (C) In the midst of debate on the national budget on July 27, the Minister of Finance and Minister of Home Affairs both disavowed any knowledge of Muluzi's arrest. Despite this the budget debate broke down and the Minister of Finance, who was visibly perturbed, was forced to call a halt to the session. Later that evening it was announced that Muluzi had indeed been arrested, and that the President had suspended ACB Director Kaliwo.

TIMING IS EVERYTHING

14. (C) Kaliwo told Embassy officials that he, "was just doing what he had been hired to do," when he moved forward with Muluzi's arrest. He says that he had informed President Mutharika about his plans to make the arrest the previous week, after which Mutharika gave him the go-ahead to move forward. The President later changed his mind, and this week told Kaliwo not to move forward until after the budget session. According to Kaliwo, by then he had finished his investigation, felt that he had general approval to make the arrest, and saw no link between the political issues in Parliament and his Bureau's actions. He thus went ahead with Muluzi's arrest, after which he received a harsh phone call from President Mutharika ordering him to cease all activities and report back to Lilongwe. Kaliwo has returned to Lilongwe but has yet to meet with Mutharika, and says no one has officially communicated with him on his announced suspension.

A BACKROOM DEAL FOR THE BUDGET?

15. (C) Despite expected fireworks when Parliament reconvened on the morning of July 28, the House proceeded constructively, and once again took up the task of passing the budget. Neither Muluzi's arrest nor Kaliwo's suspension were mentioned by the opposition, and the House quickly passed the first order of business, which coincidentally was the budget of the Anti-Corruption Bureau itself. Former president Muluzi's son, Atupele Muluzi, told Poloff that the government had agreed to drop the charges against Muluzi in order to pass the budget, a claim repeated by the opposition leadership to an impromptu caucus of their members directly before the meeting started. They also said that the government side had also agreed to a contentious wage-increase that MPs had all previously been pushing for

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(reftel A). While one government minister Poloff spoke with cast doubt on government dropping the charges against Muluzi, he did confirm that they had agreed to give the MPs a 40,000 kwacha (\$285) a month wage increase in order to move forward with the budget (Comment: The irony of government buying off MPs with a wage increase in order to get them to pass the Anti-Corruption Bureau budget seems lost both Ministers and MPs).

COMMENT

16. (C) From all the evidence Embassy officials have seen, Muluzi certainly has a case to answer. The ACB has been working on his case for over a year, with significant assistance particularly from the British Government. The opposition claim that the GOM is prepared to drop charges against Muluzi in order to pass the budget seems highly unlikely, given that the anti-corruption effort has been the centerpiece of the Mutharika administration's policy for the past two years. Kaliwo has done a commendable job as ACB Director, and President Mutharika will have to decide whether Kaliwo's error in timing is worth the sacrifice of a competent public servant who has ably led Malawi's fight against corruption.

GILMOUR